

Alexander Dennis Limited

**Annual report and consolidated
financial statements**

31 December 2015

Registered number SC268016

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Strategic Report

The results of the year are set out in the profit and loss account on page 9.

Chief Executive's Review

I am delighted to report that Alexander Dennis Limited ("ADL") enjoyed a year of significant growth in 2015 delivering very solid improvement in sales and earnings performance.

UK Market

ADL registered 1,228 new buses in the UK during 2015, an increase of 12% on 2014. This represented vehicle revenue of £289 million in our domestic market (2014 - £272 million). Maintaining our market share of around 43% is a notable achievement given that Transport for London continued to acquire a significant number of New Routemaster vehicles, registering 375 in the year. This dampened our sales in the capital, a market that is normally a strong one for ADL.

Sales in the Provincial and Retail sectors of the market were however stronger than 2014 and this helped to offset the difficult London market. The launch in 2014 of our all new Enviro 400 double deck and Enviro 200 single deck products have proven to be very successful and ensured we retained our market leading position.

International Markets

As anticipated in last year's report we enjoyed record international vehicle revenues of £261 million in 2015, an increase of 58% on the £165 million recorded in 2014, which itself was a record year. Of note is the Hong Kong market which was buoyant in 2015 and by mid 2017 we will have delivered in excess of 2,500 of our MMC Enviro 500 since its launch in 2013. This is a remarkable achievement for the business, underlining the credentials of a product that is now the bedrock of our international business across Asia and North America.

In 2015 we have been establishing our new wholly-owned chassis assembly facility in Toronto to support development in North America and, in particular, the new five-year contract with Metrolinx, the Transport Authority for the Greater Toronto area. This contract worth up to CAD\$ 495 million begins in 2016.

We managed a number of significant international contracts in 2015 in both Asia and North America where we dealt with both supply chain and production issues at new international build partners. We worked closely with them and our customers to minimise any disruption from these growing pains. We also had currency headwinds to contend with as the relative strength of sterling in the year was also a challenge to an export-led business like ADL. This impacted our competitiveness in a number of our more price-sensitive markets.

Financial Performance

Sales in 2015 were £602 million, an increase of 20 per cent on the previous year. We also improved our earnings this year on the back of this top line performance. Profit before tax increased to £23m from £13m in 2014 and operating margins improved from 3.2% to 4.2%. The particularly strong growth in our international business resulted in an increase in working capital throughout most of the year and this impacted our cash generation as we invested for the future. Our net debt levels, however, remained at a comfortable level for us and we finished the year with net debt of £13.4m (2014 - £2.7m).

Outlook

In 2016 we will continue the momentum established in 2015. We expect to maintain our market share in the UK as we continue to build on our investment in our product line up, industry leading product reliability and best in class customer support. Although the Hong Kong market is starting to ease off from its peak levels we have secured significant business in existing markets and a number of new markets that will help to offset this.

Our strategy of continuing to grow shareholder value for the medium to long term by investing in class leading products supplemented by excellent customer service is as relevant today as when we embarked on this journey many years ago.

Strategic Report *(continued)*

Summary of financial results

As set out in the profit and loss account on page 9, the group made an operating profit before discontinued operations of £25.1 million (2014: £18.7 million) and a pre tax profit of £23.0 million on turnover of £602 million. (2014: £13.2 million on turnover of £494 million). Key financial highlights excluding discontinued operations are set out below:

	Continuing operations 2015 £million	Continuing operations 2014 £million
Turnover	601.9	494.5
EBITDA	37.5	26.9
Depreciation/amortisation	(11.3)	(8.1)
Non recurring costs	(1.1)	(0.2)
Operating profit	25.1	18.7

The principal risks and uncertainties affecting the business include the following:

- **Fluctuations in demand:** the Group monitors market information, sales prospects and orders on a regular basis to assist in anticipating future demand. Formal reviews are held on a monthly basis to ensure that we match this with our manufacturing capacity and supply chain commitments.
- **Raw material availability and prices:** the Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. The business also seeks to reduce its risk from its supply base and every effort is made to dual source critical parts and components.
- **Foreign exchange risk:** a programme of regular monthly foreign exchange hedge contracts is undertaken to help mitigate the impact of fluctuations on our foreign currency purchases over a rolling two year period. All significant sales orders won in foreign currencies are hedged.
- **Interest rate risk:** as part of the Group interest rate management strategy, the Group monitors market interest rates on a regular basis. Where appropriate interest rate swaps and caps are used to mitigate potential future interest rate increases.
- **Environmental risks:** the Group places considerable emphasis upon environmental considerations and seeks to ensure ongoing compliance with relevant legislation.
- **Debtors:** the Group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- **Major disruption/disaster:** the Group has a documented Business Continuity Plan with a supporting outline plan to deliver and is currently progressing to schedule.
- **New product, project and technology risk:** in recognising this as a key risk the business has a well established New Product Development Executive Group consisting of key technical and commercial personnel to monitor technology developments and oversee all new product development. This Group has an established formally documented process for managing our development.
- **All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.**
- **The effect of legislation or other regulatory activities:** the bus and coach industry, like many others, is subject to regulatory forces, particularly with regard to emission controls; the group manages its exposure in this area with dedicated technical resource and active involvement in trade bodies.
- **Litigation:** the directors are not aware of any material litigation against the group at the present time.

Strategic Report *(continued)*

Summary of financial results *(continued)*

Key areas of strategic development and performance of the business include:

- Sales and marketing: in line with the Group's strategy, key customer relationships are monitored and developed on a regular basis. In addition a key focus is broadening our customer base in the UK and developing targeted markets overseas.
- New product development: new products continue to be developed for both existing and prospective markets and further product developments are underway under the supervision of the New Product Development Group.
- Manufacturing: during the year labour efficiencies and productivity improvements have been realised and new initiatives for process and efficiency improvements are constantly being developed.
- Health and Safety: the Group has adopted a single Health & Safety policy and oversees co-ordination of activities and the sharing of best practice at a group level. However, in each facility, ADL has specific Health and Safety teams, producing regular reports that are scrutinised up to Executive level.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety.

	2015	2014	Measure
Financial			
Operating profit (before discontinued operations) (£million)	25.1	18.7	Earnings before interest and tax
Current ratio	1.33	1.19	Current assets: current liabilities
Stock turnover	7.60	7.63	Turnover/stock
Debtor days	34.5	29.8	Trade debtors/average turnover
Creditor days	63.9	67.1	Trade creditors/average purchases
Non-financial			
Number of reportable accidents	13	20	Reportable accidents

Financing

The Group's business activities and current position as well as information on its cash flows and borrowings are contained within this report and the notes to the financial statements.

The core funding of the business is achieved through the use of both shareholders' funds and bank debt. The Group's bank facilities are committed until June 2018.

Our funding requirement can fluctuate over the course of a year, driven by our international activity as well as seasonal and other factors. We manage cash utilisation closely across each of our business units and on a consolidated basis. Rolling six-monthly cash forecasts are prepared every week and reviewed in detail. Cash forecasts beyond this period are updated and reviewed every month.

After taking into account the current order book, our best estimate of future market conditions, the underlying operational performance of the business and the level of unutilised committed bank facilities, the Group's most recent forecasts show that the Group will be able to operate within its facilities.

Strategic Report *(continued)*

Financing *(continued)*

All banking covenants were satisfied during 2015 and are forecast to remain so for the period covered by the financial projections.

By order of the board

A handwritten signature in black ink, appearing to read 'Colin Robertson', with a stylized, cursive script.

Colin Robertson
Chief Executive

16 Charlotte Square
Edinburgh
EH2 4DF

8 March 2016

Directors' report

Principal activities

The business conducted by the Company and Group is bus body and chassis manufacture, coach body manufacture and the related aftermarket activities of spare parts provision and service support.

Results and dividends

The Group profit after interest and tax for the financial year amounts to £18,534,000 (2014: £10,585,000).

A dividend of £7,815,000 was approved and paid during the year ended 31 December 2015 (2014: £7,815,000).

Directors

The directors who held office during the year were as follows:

a. Non-Executive

David Harraghy Investor Director
Steve Clayton Non-Executive Director
David Giffin Non-Executive Director

b. Executive

Colin Robertson Chief Executive
Michael Stewart Finance Director
Bill Simpson Corporate Affairs Director (resigned 1 July 2015)
Arthur Whiteside Sales and Aftermarket Director

In accordance with the Articles of Association, the directors are not subject to retirement by rotation.

Employees

Applications for employment of disabled persons will always be considered, bearing in mind the aptitudes and abilities of the individual concerned. Where members of staff become disabled, every effort is made to ensure their continuing employment with the group, with appropriate training where necessary, in accordance with the Group policy, namely that training, career development and promotion prospects be identical to those of equivalent, non disabled employees.

It is Group policy to keep employees advised of the achievements and progress of the Group.

Political contributions

The Group made no political donations or incurred any political expenditure during the year. (2014: £nil).

The Group made charitable donations amounting to £3,691 (2014: £6,270).

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

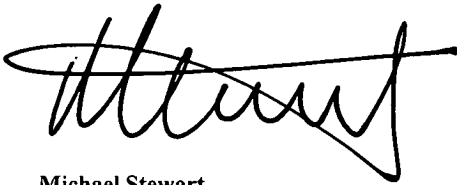
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A handwritten signature in black ink, appearing to read 'Michael Stewart', with a large, sweeping flourish extending from the end of the signature.

Michael Stewart
Finance Director

16 Charlotte Square
Edinburgh
EH2 4DF

8 March 2016

Statement of directors' responsibilities in respect of the annual report, strategic report and the financial statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

191 West George Street
Glasgow
G2 2LJ

Independent auditor's report to the members of Alexander Dennis Limited

We have audited the financial statements of Alexander Dennis Limited for the year ended 31 December 2015 set out on pages 9 to 45. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Charles
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 March 2016

Consolidated Profit and Loss Account and Other Comprehensive Income for the year ended 31 December 2015

	Note	2015 Total £000	2014 Total £000
Turnover	4	601,906	494,487
Cost of sales		(509,784)	(419,653)
Gross profit		92,122	74,834
Distribution costs		(23,748)	(16,152)
Administrative expenses		(43,239)	(39,933)
Profit before depreciation, amortisation and discontinued operations		37,489	26,872
Depreciation and amortisation		(11,259)	(8,103)
Non recurring costs	5	(1,095)	(20)
Group operating profit before discontinued operations		25,135	18,749
Operating loss from discontinued operations		-	(2,493)
Group operating profit		25,135	16,256
Other interest receivable and similar income	8	498	426
Interest payable and similar charges	9	(2,633)	(3,532)
Profit on ordinary activities before taxation		23,000	13,150
Tax on profit on ordinary activities	10	(4,466)	(2,565)
Profit for the financial year		18,534	10,585
Other comprehensive income			
Foreign exchange differences on translation of foreign operations	25	4,522	(210)
Cash flow hedging	25	14,488	(2,688)
Taxation on hedging instruments	10, 25	(2,901)	539
Other comprehensive income for the year, net of tax		16,109	(2,359)
Total comprehensive income for the year		34,643	8,226

Discontinued operations

On 30 May 2014, the Group's Australian business Custom Coaches PTY Limited and its trading subsidiary Custom Coaches Sales PTY Limited were placed into administration and subsequently disposed of. In accordance with FRS 102, the results of Custom Coaches have been disclosed as discontinued operations.

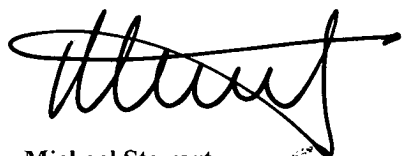
All profit and loss activities in 2015 relate to continuing operations. In 2014, turnover from discontinued operations was £8.2 million, with a loss before tax of £2.4 million.

Custom Coaches PTY Limited and its trading subsidiary Custom Coaches Sales PTY Limited have been disposed of in the prior year and have been classified as discontinued operations.

Balance Sheets
At 31 December 2015

		Group		Company	
	Note	2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Intangible assets	11	41,204	42,204	41,866	42,773
Tangible assets	12	14,986	14,880	13,560	14,338
Investments	13	-	-	1,782	1,762
		<u>56,190</u>	<u>57,084</u>	<u>57,208</u>	<u>58,873</u>
Current assets					
Stocks	15	79,197	65,898	74,172	61,658
Debtors	16	131,345	105,721	124,872	95,451
Debtors – due after more than one year	16	-	-	10,304	-
Other financial assets	14	7,230	1,013	7,694	2,235
Other financial assets – due after more than one year	14	10,235	1,151	10,267	1,223
Cash at bank and in hand	17	33,420	43,980	23,028	32,305
		<u>261,427</u>	<u>217,763</u>	<u>250,337</u>	<u>192,872</u>
Creditors: amounts falling due within one year	18	<u>(196,814)</u>	<u>(183,408)</u>	<u>(146,454)</u>	<u>(171,007)</u>
Net current assets		<u>64,613</u>	<u>34,355</u>	<u>103,883</u>	<u>21,865</u>
Total assets less current liabilities		<u>120,803</u>	<u>91,439</u>	<u>161,091</u>	<u>80,738</u>
Creditors: amounts falling due after more than one year	19	<u>(46,721)</u>	<u>(46,876)</u>	<u>(102,463)</u>	<u>(46,809)</u>
Provisions for liabilities					
Deferred tax liability	22	(5,414)	(2,252)	(5,474)	(2,435)
Other provisions	23	(4,103)	(4,574)	(2,670)	(3,950)
		<u>(56,238)</u>	<u>(53,702)</u>	<u>(110,607)</u>	<u>(53,194)</u>
Net assets		<u>64,565</u>	<u>37,737</u>	<u>50,484</u>	<u>27,544</u>
Capital and reserves					
Called up share capital	25	170	170	170	170
Share premium account		16,911	16,911	16,911	16,911
Capital redemption reserve		1	1	1	1
Cash flow hedging reserve		11,452	(135)	11,684	197
Profit and loss account		36,031	20,790	21,718	10,265
		<u>64,565</u>	<u>37,737</u>	<u>50,484</u>	<u>27,544</u>
Shareholders' funds		<u>64,565</u>	<u>37,737</u>	<u>50,484</u>	<u>27,544</u>

These financial statements were approved by the board of directors on 8 March 2016 and were signed on its behalf by:



Michael Stewart
Director

Company registered number: SC268016

Consolidated Statement of Changes in Equity

	Called up Share capital	Share Premium account	Capital redemption reserve	Cash flow hedging reserve	Profit & loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2014	161	16,911	1	2,014	18,230	37,317
Total comprehensive income for the period						
Profit or loss	-	-	-	-	10,585	10,585
Other comprehensive income (see note 25)	-	-	-	(2,149)	(210)	(2,359)
Total comprehensive income for the period	-	-	-	(2,149)	10,375	8,226
Equity-settled share based payment transactions	9	-	-	-	-	9
Dividends	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	9	-	-	-	(7,815)	(7,806)
Balance at 31 December 2014	170	16,911	1	(135)	20,790	37,737
	Called up Share capital	Share Premium account	Capital redemption reserve	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2015	170	16,911	1	(135)	20,790	37,737
Total comprehensive income for the period						
Profit or loss	-	-	-	-	18,534	18,534
Other comprehensive income (see note 25)	-	-	-	11,587	4,522	16,109
Total comprehensive income for the period	-	-	-	11,587	23,056	34,643
Dividends	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	-	-	-	-	(7,815)	(7,815)
Balance at 31 December 2015	170	16,911	1	11,452	36,031	64,565

Company Statement of Changes in Equity

	Called up Share capital	Share Premium account	Capital redemption reserve	Cash flow hedging reserve	Profit & loss account	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2014	161	16,911	1	1,033	15,221	33,327
Total comprehensive income for the period						
Profit or loss	-	-	-	-	2,859	2,859
Other comprehensive income (see note 25)	-	-	-	(836)	-	(836)
Total comprehensive income for the period	-	-	-	(836)	2,859	2,023
Equity-settled share based payment transactions	9	-	-	-	-	9
Dividends	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	9	-	-	-	(7,815)	(7,806)
Balance at 31 December 2014	170	16,911	1	197	10,265	27,544
	Called up Share capital £000	Share Premium account £000	Capital redemption reserve £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	170	16,911	1	197	10,265	27,544
Total comprehensive income for the period						
Profit or loss	-	-	-	-	19,167	19,167
Other comprehensive income (see note 25)	-	-	-	11,487	101	11,588
Total comprehensive income for the period	-	-	-	11,487	19,268	30,755
Dividends paid	-	-	-	-	(7,815)	(7,815)
Total contributions by and distributions to owners	-	-	-	-	(7,815)	(7,815)
Balance at 31 December 2015	170	16,911	1	11,684	21,718	50,484

Consolidated Cash Flow Statement
for year ended 31 December 2015

Cash flow statement	<i>Note</i>	2015 £000	2014 £000
Net cash from operating activities	34	2,025	40,258
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		15	64
Proceeds from sale of intangible assets		194	-
Acquisition of tangible fixed assets	12	(4,133)	(4,191)
Acquisition of other intangible assets	11	(7,631)	(12,854)
Net cash from investing activities		(11,555)	(16,981)
Cash flows from financing activities			
Repayment of borrowings		-	(901)
Payments to acquire derivative financial instruments		(914)	-
Payment of finance lease liabilities		(116)	(234)
Net cash from financing activities		(1,030)	(1,135)
Net (decrease)/increase in cash and cash equivalents		(10,560)	22,142
Cash and cash equivalents at the start of the year		43,980	21,838
Cash and cash equivalents at the end of the year	17	33,420	43,980

Reconciliation of net cash flow to movement in net debt
for year ended 31 December 2015

	<i>Note</i>	2015 £000	2014 £000
(Decrease)/increase in cash in the year		(10,560)	22,142
Cash inflow from movement in debt	33	116	1,135
Non cash movement	33	(196)	24
(Increase)/decrease in net debt in the year		(10,640)	23,301
Net debt at the start of the year	33	(2,730)	(26,031)
Net debt at the end of the year	33	(13,370)	(2,730)

Notes

(forming part of the financial statements)

1 Accounting policies

Alexander Dennis Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in September 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Group is provided in note 35.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2014 date have not been restated.
- Separate financial instruments – carrying amount of the Company’s cost of investment in subsidiaries is its deemed cost at 1 January 2014.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Group and Company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 January 2014 the Group and Company continued to account for lease incentives under previous UK GAAP.
- Deferred development costs – at 1 January 2014 the deemed cost was the cost deferred in accordance with SSAP13.
- Hedge accounting – for hedging relationships that ceased to exist before 1 January 2014, because the hedging instrument has expired, sold, terminated or exercised, the Group and Company have not adjusted for the carrying amounts of these instruments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group has not retrospectively changed its accounting under old UK GAAP for hedge accounting for any hedging relationships that no longer existed at the date of transition or discontinued operations.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.4 Basic financial instruments (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss or other comprehensive income. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Depreciation is recognised on the following bases:

Freehold buildings	2.8% straight line
Leasehold property/improvements	Over the lease term
Heavy plant and machinery	10% straight line
Light plant and machinery	20% straight line
Office equipment/fixtures	20% straight line
Computer equipment and software	33% straight line
Motor vehicles	25% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 31 December 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

1.8 Intangible assets and goodwill

Goodwill

Goodwill, representing the difference between the fair value of the consideration given and the fair value of the separable net assets acquired, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, currently estimated by the directors at 20 years. Goodwill is tested for impairment in the first accounting period following each major acquisition and, thereafter, if conditions of potential impairment are deemed to exist.

Research and development – New Product Development

Where the directors are satisfied as to the technical, commercial and financial viability of individual new product development projects, the related identifiable development expenditure is capitalised as an intangible asset. This is then amortised over the period during which the Group is expected to benefit from such expenditure in the form of new product sales, but not so as to extend beyond a period of 5 years for buses and for coaches commencing from initial product sale.

Where doubts subsequently arise over project viability, provision is made for impairment of the relevant costs incurred.

Other intangible assets

Patents and trademark costs incurred by the Group are capitalised at cost and amortised over 20 years, as this is the expected useful life of the assets.

Notes (continued)

1 Accounting policies (continued)

1.8 Intangible assets and goodwill (continued)

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 20 years
- capitalised development costs 5 years

Goodwill is amortised on a straight line basis over its useful life, which is estimated by the directors to be 20 years. Goodwill has no residual value.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Discontinued operations

Discontinued operations are components of the group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the profit and loss account in a separate row for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials and direct labour and an attributable proportion of manufacturing overhead based upon the normal levels of activity.

Provision is made for obsolete, slow moving or defective items where appropriate.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.13 Warranty provision

A provision for warranty is recognised in the balance sheet when the underlying products are entered into service. The provision is based upon historical warranty data and a weighting of all possible outcomes against their associated possibilities.

Notes (continued)

1 Accounting policies (continued)

1.14 Turnover

Turnover represents revenue from the manufacture and sale of bus and coach chassis, bus and coach bodies, complete buses and coaches, bus kits and the provision of aftermarket services, including the sale of spare parts.

Turnover, excluding sales related taxes, is recognised when:

- a supply contract exists;
- sales consideration is capable of reliable measurement and collectability is reasonably assured;
- contractual commitments have been discharged.

Certain vehicle export sales contracts for the construction of a group of vehicles where the customer specifies the major structural elements of design, which extend beyond the balance sheet date and which are material to the overall results of the group are accounted for as long term contracts notwithstanding that the duration of the contract may be for less than one year.

The amount of profit attributable to the stage of completion of such contracts is recognised when the outcome of each contract can be foreseen with reasonable certainty. Turnover in relation to such contracts is stated at cost appropriate to their stage of completion plus attributable profit; provision is made for any losses as soon as they are foreseen. Such contracts are held in the balance sheet (classified as amounts recoverable on contracts) at cost incurred plus attributable profit, net of amounts transferred to the profit and loss account and after deducting payments on account. Where payments on account exceed the cumulative costs incurred plus attributable profit, the excess is shown under creditors falling due within one year.

Parts supply contracts

Certain parts supply contracts entered into in relation to the aftermarket division extend to several years in duration and therefore result in the group having parts supply commitments which extend beyond the balance sheet date. Turnover in relation to such contracts, however, may be received evenly over the duration of the relevant contracts. In these circumstances, income is deferred so as to match revenue with the relevant parts supply commitments to be incurred in later periods. Turnover deferred in relation to such contracts is shown under creditors falling due within one year.

1.15 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Accounting estimates and judgements

Key sources of estimation uncertainty

Impairment of Group assets

The Group considered whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows of the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Assessment of hedge effectiveness

The assessment of hedge effectiveness is in line with industry standards, and takes into consideration the estimated value of the hedged item at the time of hedging, and the actual value of the hedged item upon its completion. This requires estimation of future transactions, which can be impacted by both internal and external delays.

Forward exchange rates applied in determining fair value of derivative financial instruments

The forward exchange rates are based on those detailed by the provider of the derivative financial instrument. There is a level of uncertainty regarding the rates as they can fluctuate between sources.

Critical accounting judgements in applying the Group's accounting policies

Revenue recognition on long term contracts

The amount of profit attributable to the stage of completion of certain vehicle export sales contracts is recognised when the outcome of each contract can be foreseen with reasonable certainty. This requires a degree of judgement, however management have significant experience in both estimation of the stage of completion and the overall contract profitability.

Useful lives of intangible assets

The Group establishes a reliable estimate of the useful life of intangible assets and/or goodwill arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business and the expected useful life of the cash generating units (CGUs) to which the intangible assets and/or goodwill is attributed.

Notes (continued)

2 Accounting estimates and judgements (continued)

Warranty provision

The Group provides for warranty on all new bus and coaches sold and for any field campaigns identified to the warranty park. The provision is calculated based upon historical warranty data and on assessment by management of any issues identified. As such, a degree of estimation is required in this process.

3 Acquisitions and disposal of businesses

Disposal of businesses in the prior period

Discontinued operation

On 30 May 2014, the Group's Australian business Custom Coaches PTY Limited and its trading subsidiary Custom Coaches Sales PTY Limited were placed into administration and subsequently disposed of. In accordance with FRS 102, the results of Custom Coaches have been disclosed as discontinued operations.

All profit and loss activities in 2015 relate to continuing operations. In 2014, turnover from discontinued operations was £8.2 million, with a loss before tax of £2.4 million.

Custom Coaches PTY Limited and its trading subsidiary Custom Coaches Sales PTY Limited have been disposed of in the prior year and have been classified as discontinued operations.

4 Turnover

The business operates within four geographical markets: the United Kingdom, Europe, Middle East and Africa, Asia Pacific and the Americas. Turnover by geographical market is analysed below:

	2015 £000	2014 £000
United Kingdom	335,998	316,191
Europe, Middle East and Africa	6,847	5,674
Asia Pacific	227,442	142,621
Americas	31,619	30,001
Total turnover	601,906	494,487

No geographical analysis of turnover by origin or segmental analysis of turnover and profit before tax is provided as the directors believe the provision of such information would be seriously prejudicial to the group's interests.

As detailed in note 1 accounting policies, the Group recognises turnover on certain bespoke vehicle export sales as long term construction contracts. In the year to 31 December 2015, turnover amounted on such contracts to £261 million (2014: £165 million).

As described in note 3, in 2014, there was a further £8.2m of turnover from discontinued operations.

Notes (continued)

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2015 £000	2014 £000
Recurring		
Loss/(gain) on disposal of tangible assets	1	(24)
Gain on disposal of intangible assets	(101)	-
Operating lease charges	4,084	4,607
Foreign exchange gain	(1,007)	(602)
	2,977	3,981

	2015 £000	2014 £000
Non-recurring		
Redundancy and people related costs expensed as incurred	490	186
Impairment of Custom Coaches – fixed assets (tangible and intangible)	-	101
Disposal of Custom Coaches – other assets, liabilities and provisions	(385)	(673)
Disposal of Custom Coaches – professional fees and other costs (includes redundancy costs)	-	572
Professional fees - in relation to strategic review	990	-
	1,095	186*

* £166,000 of which is included within operating loss from discontinued operations

<i>Auditor's remuneration</i>	2015 £000	2014 £000
Audit of these financial statements	86	105

Disclosures below based on amounts receivable in respect of other services to the company and its subsidiaries

Amounts receivable by the company's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	30	20
Audit-related assurance services	18	-
Other tax advisory services	24	3
All other services	62	-

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Production	1,857	1,737
Selling and administration	457	511
	<u>2,314</u>	<u>2,248</u>

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	85,251	82,786
Social security costs	8,893	8,733
Contributions to defined contribution plans	3,534	3,274
Exceptional redundancy costs	390	186
	<u>98,068</u>	<u>94,979</u>

7 Directors' remuneration

	2015	2014
	£000	£000
Directors' remuneration	1,996	1,557
Company contributions to money purchase pension plans	48	73
Amounts paid to third parties in respect of directors' services	30	56
	<u>2,074</u>	<u>1,686</u>

The aggregate of remuneration and amounts receivable of the highest paid director was £1,132,000 (2014: £873,000), and company pension contributions of £Nil (2014: £Nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>4</u>

Notes (continued)

8 Other interest receivable and similar income

	2015 £000	2014 £000
Net gain on financial assets measured at fair value through profit or loss (excluding derivatives used in hedging arrangements)	448	415
Interest receivable	50	11
Total other interest receivable and similar income	498	426

9 Interest payable and similar charges

	2015 £000	2014 £000
Ineffective portion of losses on derivatives treated as cash flow hedges	-	448
Interest payable on financial liabilities at amortised cost	1,488	2,087
Interest on stockholding facilities	10	48
Amortisation of bank loan facility charge	183	333
Other interest payable	580	289
Interest payable on invoice discounting	372	327
Total interest payable and similar charges	2,633	3,532

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015 £000	2014 £000
<i>Current tax</i>		
UK Corporation Tax		
- Current tax on income for the period	2,160	1,298
- Adjustments in respect of prior periods	(405)	(66)
Overseas tax		
- Current tax on income for the period	2,680	818
- Adjustments in respect of prior periods	(51)	(46)
Derivative financial instruments	(77)	77
Total current tax	4,307	2,081
<i>Deferred tax (see note 22)</i>		
Origination and reversal of timing differences	(294)	906
Adjustments in respect of prior periods	464	-
Change in tax rate	-	(142)
Overseas deferred tax		
- current year	(134)	(215)
- adjustments in respect of prior periods	46	12
- impairment adjustment	-	-
Derivative financial instruments	2,978	(616)
Total deferred tax	3,060	(55)
Total tax	7,367	2,026

Notes (continued)

10 Taxation (continued)

	2015			2014		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	4,384	82	4,466	2,004	561	2,565
Recognised in other comprehensive income	(77)	2,978	2,901	77	(616)	(539)
Total tax	4,307	3,060	7,367	2,081	(55)	2,026

Analysis of current tax recognised in profit and loss

	2015	2014
	£000	£000
UK corporation tax	1,755	1,232
Foreign tax	2,629	772
Total current tax recognised in profit and loss	4,384	2,004

Reconciliation of effective tax rate

	2015	2014
	£000	£000
Profit for the year	18,534	10,585
Total tax expense	4,466	2,565
Profit excluding taxation	23,000	13,150
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	4,658	2,834
Effect of tax rates in foreign jurisdictions	(364)	(299)
Impairments relating to Custom Coaches	-	537
Reduction in tax rate on deferred tax balances	(286)	(141)
Non-deductible expenses	595	324
Enhanced research and development tax relief relating to current year	(399)	(486)
Other timing differences	-	(611)
Prior year adjustment for corporation tax	5	(102)
Depreciation for period and accelerated capital allowances	256	782
Other	1	15
Overseas losses recognised	-	(216)
Derivative financial instruments	-	(72)
Total tax expense included in profit or loss	4,466	2,565

Reductions in the UK Corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the group's future current tax charge accordingly. The deferred tax liability at 31 December 2015 has been calculated based on these rates.

Notes (continued)

11 Intangible assets and goodwill

<i>Group</i>	Patents and trade- marks £000	New product development costs £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2015	103	35,778	35,092	70,973
Additions – internally developed net of financing received	-	7,631	-	7,631
Disposals	-	(182)	-	(182)
Balance at 31 December 2015	103	43,227	35,092	78,422
Amortisation and impairment				
Balance at 1 January 2015	(47)	(12,739)	(15,983)	(28,769)
Amortisation for the year	(5)	(6,779)	(1,754)	(8,538)
Disposals	-	89	-	89
Balance at 31 December 2015	(52)	(19,429)	(17,737)	(37,218)
Net book value				
At 31 December 2015	51	23,798	17,355	41,204
At 1 January 2015	56	23,039	19,109	42,204
<i>Company</i>				
	Patents and trade- marks £000	New product development costs £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2015	103	35,779	33,209	69,091
Additions – internally developed net of financing received	-	7,631	-	7,631
Disposals	-	(182)	-	(182)
Balance at 31 December 2015	103	43,228	33,209	76,540
Amortisation and impairment				
Balance at 1 January 2015	(47)	(12,740)	(13,531)	(26,318)
Amortisation for the year	(5)	(6,779)	(1,660)	(8,444)
Disposals	-	88	-	88
Balance at 31 December 2015	(52)	(19,431)	(15,191)	(34,674)
Net book value				
At 31 December 2015	51	23,797	18,018	41,866
At 1 January 2015	56	23,039	19,678	42,773

Notes (continued)

12 Tangible fixed assets

<i>Group</i>	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and Equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 January 2015	4,801	3,750	30,952	385	39,888
Additions	129	272	3,563	192	4,156
Disposals	-	-	(514)	(19)	(533)
Effect of movements in foreign exchange	-	(7)	(305)	(3)	(315)
Balance at 31 December 2015	4,930	4,015	33,696	555	43,196
Depreciation and impairment					
Balance at 1 January 2015	(1,628)	(865)	(22,335)	(180)	(25,008)
Depreciation charge for the year	(204)	(286)	(3,190)	(70)	(3,750)
Disposals	-	-	511	7	518
Effect of movements in foreign exchange	-	6	50	(26)	30
Balance at 31 December 2015	(1,832)	(1,145)	(24,964)	(269)	(28,210)
Net book value					
At 31 December 2015	3,098	2,870	8,732	286	14,986
At 1 January 2015	3,173	2,885	8,617	205	14,880
<i>Company</i>					
Cost					
Balance at 1 January 2015	4,801	3,594	28,912	26	37,333
Additions	129	267	3,104	-	3,500
Disposals	-	-	(1,492)	-	(1,492)
Balance at 31 December 2015	4,930	3,861	30,524	26	39,341
Depreciation and impairment					
Balance at 1 January 2015	(1,628)	(767)	(20,578)	(22)	(22,995)
Depreciation charge for the year	(205)	(247)	(3,107)	(1)	(3,560)
Disposals	-	-	774	-	774
Balance at 31 December 2015	(1,833)	(1,014)	(22,911)	(23)	(25,781)
Net book value					
At 31 December 2015	3,097	2,847	7,613	3	13,560
At 1 January 2015	3,173	2,827	8,334	4	14,338

Leased plant and machinery

At 31 December 2015 the net carrying amount of plant and equipment leased under a finance lease was £127,890 (2014: £218,231), and the net carrying amount of motor vehicles leased under a finance lease was £104,058 (2014: £154,316).

Notes (continued)

13 Fixed asset investments

Company	Shares at cost £000	Long term loan £000	Total investment in group undertakings £000
Cost and net book value			
At 1 January 2015	20	1,742	1,762
Investment in Alexander Dennis Germany GMBH	20	-	20
At 31 December 2015	40	1,742	1,782

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Alexander Dennis Inc	US	Sale of buses and related aftermarket activities	100%
Alexander Dennis (Asia Pacific) Limited	Hong Kong	Sale of buses and related aftermarket activities	100%
Plaxton Holdings Limited	UK	Holding company	100%
Plaxton Limited *	UK	Dormant company	100%
Alexander Dennis (New Zealand) Limited	New Zealand	Aftermarket activities	100%
Alexander Dennis Australia Pty Limited	Australia	Holding company	100%
Alexander Dennis Canada	Canada	Sale of buses and related aftermarket activities	100%
Alexander Dennis (Singapore) Service Pte Ltd	Singapore	Aftermarket activities	100%
Alexander Dennis Malaysia Sdn BHD	Malaysia	Sale of buses and related aftermarket activities	100%
Alexander Dennis Germany GMBH	Germany	Holding company	100%

* held indirectly

Notes (continued)

14 Other financial assets

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Other financial assets				
Derivative financial instruments	7,230	1,013	7,694	2,235
Derivative financial instruments – due after more than one year	10,235	1,151	10,267	1,223
	<u>17,465</u>	<u>2,164</u>	<u>17,961</u>	<u>3,458</u>

15 Stocks

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Raw materials and consumables	28,131	25,749	28,131	25,749
Work in progress	23,658	17,932	23,658	17,932
Finished goods	27,408	22,217	22,383	17,977
	<u>79,197</u>	<u>65,898</u>	<u>74,172</u>	<u>61,658</u>

16 Debtors

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade debtors	56,922	41,089	29,405	23,758
Amounts recoverable on contracts	65,391	55,516	225	2,563
Amounts owed by group undertakings	-	-	89,947	62,663
Other debtors	607	363	162	175
Corporation tax recoverable	-	670	243	717
Prepayments and accrued income	8,425	8,083	4,890	5,575
	<u>131,345</u>	<u>105,721</u>	<u>124,872</u>	<u>95,451</u>

Company

At 31 December 2015 an amount of £10,304,000 (2014: £ nil) was due after more than one year from subsidiary undertakings.

Notes (continued)

17 Cash and cash equivalents/ bank overdrafts

	2015 £000	2014 £000
Group		
Cash at bank and in hand	33,420	20,980
Short term cash deposits	-	23,000
	<u>33,420</u>	<u>43,980</u>
	<u>2015</u> £000	<u>2014</u> £000
Company		
Cash at bank and in hand	23,028	9,305
Short term cash deposits	-	23,000
	<u>23,028</u>	<u>32,305</u>

18 Creditors: amounts falling due within one year

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Trade creditors	98,699	87,322	97,913	86,545
Payments received on account for contract work	54,697	58,363	1,392	531
Amounts owed to group undertakings	-	-	4,929	53,015
Taxation and social security	12,676	13,593	13,780	8,236
Other creditors	4,495	4,080	4,090	4,230
Accruals and deferred income	22,500	16,892	21,790	14,846
UK and overseas corporation tax	1,189	-	-	-
Obligations under finance leases (see note 20)	128	122	81	81
Other financial liabilities (see note 21)	2,430	3,036	2,479	3,523
	<u>196,814</u>	<u>183,408</u>	<u>146,454</u>	<u>171,007</u>

19 Creditors: amounts falling after more than one year

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Bank loans and overdrafts (see note 20)	46,587	46,416	46,587	46,416
Amounts owed to group undertakings	-	-	55,672	-
Obligations under finance leases (see note 20)	75	172	20	102
Other financial liabilities (see note 21)	59	288	184	291
	<u>46,721</u>	<u>46,876</u>	<u>102,463</u>	<u>46,809</u>

Notes (continued)

20 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Creditors falling due more than one year				
Secured bank revolving credit facility	47,000	47,000	47,000	47,000
Unamortised bank facility costs	(413)	(584)	(413)	(584)
Finance lease liabilities	75	172	20	102
	<u>46,662</u>	<u>46,588</u>	<u>46,607</u>	<u>46,518</u>
Creditors falling due within less than one year				
Secured bank loans	-	-	-	-
Finance lease liabilities	128	122	81	81
	<u>128</u>	<u>122</u>	<u>81</u>	<u>81</u>
Analysis of debt				
	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In less than one year	128	122	81	81
Between one and two years	59	117	20	81
Between two and five years	46,603	46,471	46,587	46,437
	<u>46,790</u>	<u>46,710</u>	<u>46,688</u>	<u>46,599</u>

The UK bank facilities are secured by means of a floating charge over the Group's assets and a standard security and legal charge on the company's freehold properties.

As set out in the strategic report, the facilities are committed until June 2018 and interest is charged based on LIBOR plus a ratchet.

Notes (continued)

20 Interest-bearing loans and borrowing (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Less than one year	128	122
Between one and five years	75	172
	<u>203</u>	<u>294</u>
Company	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Less than one year	81	81
Between one and five years	20	102
	<u>101</u>	<u>183</u>

Additional borrowing facilities

At 31 December, the Group had undrawn committed borrowing facilities, in respect of which all conditions precedent had been met, as follows:

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Expiring between two and five years	<u>33,376</u>	<u>33,078</u>	<u>32,651</u>	<u>32,548</u>

During a previous year, the group entered into an agreement with its bankers whereby the trade debts of approved customers would be assigned to the bank and discounted in the ordinary course of business. The value of the associated debtors are received in full subject to a discounting charge which is included in interest costs in the profit and loss account. The group will not make good any loss over and above the agreement's recourse limits and the bank have confirmed their acceptance of this position in writing.

Notes (continued)

21 Other financial liabilities

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Amounts falling due after more than one year				
Derivative financial instruments	59	288	184	291
	<u>59</u>	<u>288</u>	<u>184</u>	<u>291</u>
Amounts falling due within one year				
Derivative financial instruments	2,430	3,036	2,479	3,523
	<u>2,430</u>	<u>3,036</u>	<u>2,479</u>	<u>3,523</u>

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2015	2014	2015	2014
	£000	£000	£000	£000
Accelerated capital allowances – research and development	-	-	(2,750)	(2,866)
– other	239	481	-	-
Unused tax losses	467	267	-	-
Other	-	-	(539)	(281)
Derivative financial instruments	130	-	(2,961)	147
	<u>836</u>	<u>748</u>	<u>(6,250)</u>	<u>(3,000)</u>
Tax assets / (liabilities)	836	748	(6,250)	(3,000)
Net of tax liabilities/(assets)	(836)	(748)	836	748
	<u>-</u>	<u>-</u>	<u>(5,414)</u>	<u>(2,252)</u>
Net tax liabilities	-	-	(5,414)	(2,252)
	<u>-</u>	<u>-</u>	<u>(5,414)</u>	<u>(2,252)</u>
Company	Assets		Liabilities	
	2015	2014	2015	2014
	£000	£000	£000	£000
Accelerated capital allowances – research and development	-	-	(2,750)	(2,866)
– other	467	482	-	-
Other	-	-	(270)	-
Derivative financial instruments	-	-	(2,921)	(51)
	<u>467</u>	<u>482</u>	<u>(5,941)</u>	<u>(2,917)</u>
Tax assets / (liabilities)	467	482	(5,941)	(2,917)
Net of tax liabilities/(assets)	(467)	(482)	467	482
	<u>-</u>	<u>-</u>	<u>(5,474)</u>	<u>(2,435)</u>
Net tax liabilities	-	-	(5,474)	(2,435)
	<u>-</u>	<u>-</u>	<u>(5,474)</u>	<u>(2,435)</u>

Notes (continued)

23 Other provisions

Group	Product warranty £000	Other £000	Total £000
Balance at 1 January 2015	4,189	385	4,574
Provisions made during the year	9,852	-	9,852
Provisions used during the year	(9,938)	-	(9,938)
Amounts released following disposal of subsidiary in prior year (note 3)	-	(385)	-(385)
Balance at 31 December 2015	4,103	-	4,103

Company	Product warranty £000	Other £000	Product warranty £000
Balance at 1 January 2015	3,565	385	3,950
Provisions made during the year	9,043	-	9,043
Provisions used during the year	(9,938)	-	(9,938)
Amounts released following disposal of subsidiary in prior year (note 3)	-	(385)	(385)
Balance at 31 December 2015	2,670	-	2,670

24 Share based payments

One share option scheme was in operation during the year, with the grant being split into two distinct parts. The options are exercisable on or after the third anniversary of the date of the grant, subject to continued employment. Both parts are treated as equity settled, and the options have fully vested.

The terms and conditions of the grants are as follows:

Grant date	Method of settlement accounting	Number of instruments	Exercise price per ordinary share	Contractual life of options
Equity settled award granted in April 2007	Equity	892,582	£4.128	10 years
Equity settled award granted in April 2007	Equity	939,560	£6.722	10 years

On 15 January 2014, the 892,582 options with an exercise price of £4.128 each were exercised. Such shares have been issued initially as 'nil paid' with an obligation that the full exercise price will be payable to the company on written demand by the Company.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2014	Number of options 2014
Outstanding at the beginning of the year	£6.722	939,560	£5.46	1,832,142
Exercised during the year	-	-	-	(892,582)
Outstanding at the end of the year	£6.722	939,560	£6.722	939,560
Exercisable at the end of the year	-	939,560	-	939,560

Notes (continued)

24 Share based payments (continued)

This information is applicable to both the Group and the Company, with the only share option schemes in operation by the Group during the year being by the Company. The options are fully vested and there is no share based payment charge during the year.

25 Capital and reserves

Share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>		
16,990,535 ordinary shares of 1p each	170	170

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Other comprehensive income

2015

Group

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	4,522	4,522
Effective portion of changes in fair value of cash flow hedges	13,200	-	13,200
Net change in fair value of cash flow hedges recycled to profit or loss	1,525	-	1,525
Net change in fair value of cash flow hedges recycled to stock	(237)	-	(237)
Taxation on other comprehensive income	(2,901)	-	(2,901)
<i>Total other comprehensive income</i>	11,587	4,522	16,109

2014

Group

	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	(210)	(210)
Effective portion of changes in fair value of cash flow hedges	(879)	-	(879)
Net change in fair value of cash flow hedges recycled to profit or loss	(2,265)	-	(2,265)
Net change in fair value of cash flow hedges recycled to stock	456	-	456
Taxation on other comprehensive income	539	-	539
<i>Total other comprehensive income</i>	(2,149)	(210)	(2,359)

Notes (continued)

25 Capital and reserves (continued)

Other comprehensive income

2015

Company	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	101	101
Effective portion of changes in fair value of cash flow hedges	13,452	-	13,452
Net change in fair value of cash flow hedges recycled to profit or loss	1,144	-	1,144
Net change in fair value of cash flow hedges recycled to stock	(237)	-	(237)
Income tax on other comprehensive income	(2,872)	-	(2,872)
<i>Total other comprehensive income</i>	<u>11,487</u>	<u>101</u>	<u>11,588</u>

2014

Company	Cash flow hedging reserve £000	Profit and loss account £000	Total other comprehensive income £000
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	-	-	-
Effective portion of changes in fair value of cash flow hedges	(181)	-	(181)
Net change in fair value of cash flow hedges recycled to profit or loss	(1,337)	-	(1,337)
Net change in fair value of cash flow hedges recycled to stock	457	-	457
Income tax on other comprehensive income	225	-	225
<i>Total other comprehensive income</i>	<u>(836)</u>	<u>-</u>	<u>(836)</u>

Reserves

Share premium represents amounts received during the sale of share capital over and above the par value of the shares.

The capital redemption reserve represents amounts retained as fixed capital following redemptions of share capital under company legislation.

The cash flow hedging reserve represents the fair value movement in derivative financial instruments to which hedge accounting has been applied, after tax has been applied.

The profit and loss account reserve presents accumulated comprehensive income for the year and prior periods less dividends paid.

Notes (continued)

26 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2015 £000	2014 £000
Assets measured at fair value through profit or loss	17,465	2,164
Assets measured at amortised cost	131,345	105,721
Liabilities measured at fair value through profit or loss	(2,489)	(3,324)
Liabilities measured at amortised cost	(241,046)	(226,960)
	<u> </u>	<u> </u>

(b) Financial instruments measured at fair value

Derivative financial instruments

The Group enters into forward foreign exchange contracts to mitigate the exchange rate risk for certain foreign currency transactions. The forward currency contracts are measured at fair value, which is based on the mid-market price at the close of business of the year end date.

(c) Hedge accounting

Cash flow hedging

The Group uses cash flow hedging in order to mitigate the exchange rate risk for certain foreign currency transactions. These include both sale transactions and the purchasing of stock and related costs. The fair value of cash flow hedging instruments at 31 December 2015 was £14,976,000 net financial asset (2014: £1,160,000 net financial liability). The amount of change in fair value of cash flow hedging instruments recognised by the Group in other comprehensive income for the period was £11,504,000 increase (2014: £2,153,000 decrease).

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

2015

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years or more £000
Forward exchange contracts:						
Assets	17,465	(46,609)	(46,472)	(26,521)	26,384	-
Liabilities	(2,489)	(23,785)	(16,403)	(7,382)	-	-
	<u>14,976</u>	<u>(70,394)</u>	<u>(62,875)</u>	<u>(33,903)</u>	<u>26,384</u>	<u>-</u>

2014

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years or more £000
Forward exchange contracts:						
Assets	2,164	43,260	4,898	18,382	21,059	(1,079)
Liabilities	(3,324)	7,793	19,730	(7,198)	(4,596)	(143)
	<u>(1,160)</u>	<u>51,053</u>	<u>24,628</u>	<u>11,184</u>	<u>16,463</u>	<u>(1,222)</u>

Notes (continued)

26 Financial instruments (continued)

(c) Hedge accounting (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss:

2015

	Carrying amount £000	Expected cash flows £000	Recognised in current year £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000
Forward exchange contracts:						
Assets	17,465	(46,609)	(8,026)	(52,018)	(14,432)	27,867
Liabilities	(2,489)	(23,785)	2,503	(20,111)	(6,177)	-
	<u>14,976</u>	<u>(70,394)</u>	<u>(5,523)</u>	<u>(72,129)</u>	<u>(20,609)</u>	<u>27,867</u>

2014

	Carrying amount £000	Expected cash flows £000	Recognised in current year £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000
Forward exchange contracts:						
Assets	2,164	43,260	3,172	5,889	10,769	23,429
Liabilities	(3,324)	7,793	1,439	13,523	(2,350)	(4,818)
	<u>(1,160)</u>	<u>51,053</u>	<u>4,611</u>	<u>19,412</u>	<u>8,419</u>	<u>18,611</u>

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2015 £000	Fair value 2014 £000
Derivative financial instrument	<u>14,976</u>	<u>(1,160)</u>

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Less than one year	4,048	3,663	3,352	3,236
Between one and five years	8,733	9,556	7,544	9,129
More than five years	6,125	7,356	6,125	7,356
	<u>18,906</u>	<u>20,575</u>	<u>17,021</u>	<u>19,721</u>

During the year £4,084,000 was recognised as an expense in the profit and loss account in respect of operating leases (2014: £4,607,000).

Notes (continued)

28 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £458,000 (2014: £170,000). Authorised but not contractual commitments to purchase tangible fixed assets at the year-end were £209,000 (2014: £410,000).

29 Contingencies

There are contingent liabilities in relation to indemnities provided to Bank of Scotland and HSBC to the value of £13,891,702 (2014: £14,465,400) for performance bonds and advance payment guarantees. Included in this amount are £6.4 million regarding an advance payment guarantee and £2.8 million regarding performance bonds. These amounts represent 20% of any potential liability arising with the remaining 80% underwritten by the UK government export credit agency. There are also contingent liabilities in relation to indemnities provided to customers to the value of £21,320,309 (2014: £17,104,929) for guarantees of performance obligations. All relate to contracts entered into in the ordinary course of business.

30 Discontinued operations

On 30 May 2014 the group's Australian trading subsidiaries, Custom Coaches Sales Pty Limited and Custom Coaches Pty Limited, were placed into administration. The results of Custom Coaches are shown as discontinued operations. The net result on disposal was as follows:

	£000
Intangible assets	37
Tangible fixed assets	65
Stocks	3,464
Debtors/creditors	(3,670)
Provisions	(467)
Net liabilities on administration	(571)
Costs of disposal	186
Provision for additional cost *	385
	571
Net result on administration	-

* The provision was released during the year to 31 December 2015, as no further costs were incurred in relation to the administration of Custom Coaches Sales Pty Limited and Custom Coaches Pty Limited.

Notes (continued)

31 Related parties

Identity of related parties with which the Group has transacted

Related parties comprise wholly owned Group companies. Transactions with related parties were carried out at arms-length agreed terms, conditions and prices. The Group and company have taken advantage of the exemption within FRS102 Section 33 paragraph 33.1A from the requirement to disclose transactions with other wholly owned companies in the same group.

Sir Brian Souter and Ann Gloag collectively hold, via companies that they control, 55.1% (2014: 55.1%) of the shares and voting rights in Alexander Dennis Limited. Noble Grossart Investments Limited (of which Sir Ewan Brown (Non-Executive Director of Stagecoach) is a director if its holding company) controls a further 33.2% of the shares and voting rights of the company. However, by virtue of the shareholders agreement, the Directors are of the view that there is no ultimate controlling party.

They are also Chairman (Sir Brian Souter) and Non-Executive Directors in Stagecoach Group which is a customer of Alexander Dennis Limited. Neither Sir Brian Souter or Ann Gloag are directors of nor do they have any involvement in the management of Alexander Dennis Limited. Furthermore, they do not participate in deciding on and negotiating the terms and conditions of transactions between Alexander Dennis Limited and Stagecoach Group.

For the year ended 31 December 2015, the Group sold £67.4m (2014: £94.7m) of vehicles to Stagecoach Group and £5.7m, (2014: £5.9m) of spare parts and other services. As at 31 December 2015, the Group had £1.7m (2014: £0.8m) receivable from Stagecoach Group, along with outstanding orders of £43.2 (2014: £21m).

Transactions with key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £3,742,000 (2014: £2,994,000).

32 Ultimate controlling party

The shareholders of the group are the controlling parties but by virtue of the shareholders agreement, the directors, are of the view that there is no overall controlling party. The holder of the majority of the ordinary shares is HGT Investments Limited.

The largest and smallest group in which the results of the Company and its group are consolidated is that headed by Alexander Dennis Limited.

Notes (continued)

33 Analysis of changes in net debt

<i>Group</i>	As at 31 December 2014 £000	Cash flow £000	Non-cash movements £000	As at 31 December 2015 £000
Cash at bank and in hand	20,980	12,440	-	33,420
Short term cash deposits	23,000	(23,000)	-	-
Total cash and cash equivalents	43,980	(10,560)	-	33,420
Debt due within one year				
Overdrafts	-	-	-	-
Finances leases – due within one year	(122)	116	(122)	(128)
	(122)	116	(122)	(128)
Debt due after 1 year				
Term loan – due after one year	(47,000)	-	-	(47,000)
Balance of related facility charge	584	-	(171)	413
Finance leases due after one year	(172)	-	97	(75)
	(46,588)	-	(74)	(46,662)
Total gross debt	(46,710)	116	(196)	(46,790)
Total net debt	(2,730)	(10,444)	(196)	(13,370)

Notes (continued)

34 Notes to the cash flow statement

	2015 £000	2015 £000	2014 £000	2014 £000
Cash flows from operating activities				
Profit for the year		18,534		10,585
Adjustments for:				
Amortisation of intangible assets	8,538		4,662	
Depreciation of tangible assets	3,750		3,441	
Amortisation of government grants	(1,029)		-	
		11,259		8,103
Interest payable and similar charges		2,633		3,532
Other interest receivable and similar income		(498)		(426)
Non-recurring operational costs		1,095		186
Taxation		4,466		2,565
EBITDA and non-recurring items		37,489		24,545
Other non-cash operating items				
Loss/(Gain) on sale of tangible fixed assets		1		(25)
(Gain) on sale of tangible fixed assets		(101)		-
Release of provision on disposal of subsidiary undertaking		(385)		-
Foreign exchange movement		4,808		(208)
Non-recurring non cash operating items		(612)		-
		41,200		24,312
Working capital cash items:				
(Increase) in trade and other debtors		(25,507)		(30,449)
(Increase) in stocks		(13,299)		(12,765)
Increase in trade and other creditors		13,045		76,933
(Decrease) in provisions and employee benefits		(86)		(1,822)
		15,353		56,209
Other cash operating items				
Interest paid		(2,912)		(3,047)
Interest received		50		11
Dividends paid		(7,815)		(7,815)
Tax paid		(2,168)		(4,728)
Non-recurring cash operating items		(483)		(372)
Net cash from operating activities		2,025		40,258

Notes (continued)

35 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

Group and Company

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables

The Group have introduced a policy of hedge accounting as a result of the transition to FRS 102. Under previous UK GAAP, the Group accounted for monetary items and transactions at the forward contract rate where applicable

Reconciliation of profit/loss and equity from old UK GAAP to FRS 102

Group	Note	Profit for the year to 31 December 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under previous GAAP		10,546	38,152	35,622
Being recognition of derivative financial instruments and application of hedge accounting		(33)	(653)	2,067
Being tax effect of derivative financial instruments		72	238	(372)
Amount under FRS 102		<u>10,585</u>	<u>37,737</u>	<u>37,317</u>

Company	Note	Profit for the year to 31 December 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under previous GAAP		2,609	27,416	32,613
Being recognition of derivative financial instruments and application of hedge accounting		320	152	892
Being tax effect of derivative financial instruments		(70)	(24)	(178)
Amount under FRS 102		<u>2,859</u>	<u>27,544</u>	<u>33,327</u>